

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 SS-15 STR-07 CEA-01 ICAE-00
NSCE-00 SSO-00 INRE-00 L-03 H-01 PA-01 DOE-15
SOE-02 DOEE-00 NEA-11 EA-10 AGR-01 IO-13 /132 W
-----110467 301538Z /40

O R 301440Z JUN 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 2465
INFO AMCONSUL ADANA POUCH
AMCONSUL ISTANBUL POUCH
AMCONSUL IZMIR POUCH
AMEMBASSY PARIS
AMEMBASSY OSLO

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USOECD

E.O. 11652: N/A
TAGS: EAID, ECIN, EFIN, PFOR, NO, TU
SUBJECT: NORWAY CONSOLIDATES TURKEY'S OFFICIALLY GUARANTEED
DEBT AND OFFERS ADDITIONAL \$55 MILLION IN PROJECT FINANCING

REF: A) ANKARA 1253, B) ANKARA 2752

SUMMARY. DURING VISIT TO ANKARA JUNE 27-28, NORWEGIAN
FINANCE MINISTER SIGNED TWO AGREEMENTS, ONE CONSOLIDATING
TURKISH COMMERCIAL DEBTS GUARANTEED BY THE NORWEGIAN
GOVERNMENT AND THE OTHER OFFERING TURKEY NEW CREDITS OF
\$55 MILLION. IN ADDITION, NORWAY PROMISED TO CONSIDER
TURKEY'S REQUEST TO RESCHEDULE UNGUARANTEED COMMERCIAL
DEBTS. NORWAY IS THE FIRST COUNTRY TO CONSOLIDATE
TURKISH DEBT UNDER TERMS AGREED UPON BY THE WORKING
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PARTY OF THE OECD CONSORTIUM FOR TURKEY. WITH ITS
PROMPT OFFER OF NEW CREDITS, NORWAY EMERGES AS ONE OF THE
CONSORTIUM MEMBERS MOST RESPONSIVE TO TURKEY'S FINANCING NEEDS.
END SUMMARY.

1. AS A FOLLOW-UP TO THE NORWEGIAN FOREIGN MINISTER'S
VISIT TO TURKEY ON FEBRUARY 8-10, NORWAY'S FINANCE

MINISTER PER KLEPPE VISITED ANKARA ON JUNE 27 AND 28.

2. AT END OF HIS VISIT, NORWEGIAN FINANCE MINISTER SIGNED AN AGREEMENT TO RESCHEDULE THE 20 MILLION KRONE (\$4 MILLION) OF TURKEY'S COMMERCIAL DEBTS THAT HAD BEEN GUARANTEED BY NORWEGIAN GOVERNMENT. THE TERMS OF THIS DEBT CONSOLIDATION ARE BASED UPON THOSE ESTABLISHED IN MULTILATERAL RESCHEDULING FRAMEWORK AGREEMENT SIGNED IN PARIS ON MAY 20 BY THE WORKING PARTY OF THE OECD CONSORTIUM FOR TURKEY.

3. NORWAY GRANTED A PREFERENTIAL INTEREST RATE TO TURKEY BECAUSE THE GOT GUARANTEED THE RESCHEDULED DEBTS. THE INTEREST RATE WILL BE 5.5 PERCENT PER ANNUM, WHICH REPRESENTS "65.8 PERCENT OF THE MOST FAVORABLE INTEREST RATE CURRENTLY APPLIED TO NORWEGIAN COMMERCIAL EXPORTS", ACCORDING TO THE TEXT OF THE TURKISH-NORWEGIAN AGREEMENT.

4. THIS DEBT CONSOLIDATION DOES NOT APPLY TO DEBT OWED TO NORWEGIAN GOVERNMENT OR TO NON-GOVERNMENT-GUARANTEED COMMERCIAL DEBT. TURKISH GOVERNMENT'S DEBT TO NORWEGIAN GOVERNMENT FOR PREVIOUS OECD CONSORTIUM CREDITS, AMOUNTING TO 17.5 MILLION KRONE OR ABOUT \$3 MILLION, WAS CANCELLED THIS SPRING AFTER APPROVAL WAS GIVEN BY THE NORWEGIAN PARLIAMENT; NORWEGIAN FOREIGN MINISTER HAD AGREED TO THIS DURING HIS VISIT ON FEBRUARY 8-10 (REF A).
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AS FOR NON-GOVERNMENT-GUARANTEED COMMERCIAL DEBT, NORWAY PROMISED TO CONSIDER TURKEY'S REQUEST THAT IT RESCHEDULE SUCH DEBT (WHICH AMOUNTS TO ABOUT 100 MILLION KRONE OR \$18 MILLION) AS SOON AS POSSIBLE OR CONVERT IT INTO PROGRAM CREDITS. HOWEVER, SUCH RESCHEDULING OF CONVERSION WILL ALSO REQUIRE APPROVAL OF THE NORWEGIAN PARLIAMENT.

5. AT THE END OF A ONE-DAY MEETING OF THE TURKISH-NORWEGIAN INTERGOVERNMENTAL COMMISSION FOR TRADE, INDUSTRIAL, AND TECHNICAL COOPERATION, KLEPPE AGREED ON JUNE 27 TO OFFER TURKEY 300 MILLION KRONE (ABOUT \$55 MILLION) IN NEW CREDIT. TWO-THIRDS OF THIS FACILITY WILL BE EXTENDED TO TURKISH CENTRAL BANK FOR PUBLIC SECTOR PROJECTS AND THE REMAINDER TO THE TURKISH INDUSTRIAL DEVELOPMENT BANK FOR PRIVATE SECTOR PROJECTS. NORWAY'S SEMI-PRIVATE EXPORT FINANCE INSTITUTION HAD PREVIOUSLY AGREED TO OFFER SUCH NEW PROJECT CREDITS.

6. THE PROJECTS TO BE SUPPORTED BY NORWAY WILL BE DECIDED BY A PROCESS OF MUTUAL CONSULTATION. TURKISH FIRMS WILL APPLY TO TURKEY'S FINANCE INSTITUTION. FINAL APPROVAL MAY BE GRANTED ONLY BY THE TURKISH-NORWEGIAN INTER-GOVERNMENTAL

COOPERATION COMMISSION, WHICH MEETS ONCE A YEAR, AS PROVIDED IN THE BILATERAL AGREEMENT OF FEBRUARY 10, 1978, ESTABLISHING THE COMMISSION (SEE REF A). THIS COMMISSION IS SCHEDULED TO MEET AGAIN IN JANUARY, 1979.

7. THE MAJOR PROJECTS WHICH ARE BEING CONSIDERED BY NORWAY FOR THE PUBLIC SECTOR, ACCORDING TO PRESS REPORTS, ARE: A DAM AND POWER STATION AT ADIGUZEL; THERMAL POWER STATIONS AT KARACAOREN AND KOPRUCE; RADAR STATIONS IN THE BOSPHOROUS, MARMARA, AND THE DARDANNELLES; PURCHASES OF SHIPS AND MARITIME EQUIPMENT; A PLYWOOD FACTORY IN KASTAMONU; AND DRILLING FOR TURKISH PETROLEUM CORPORATION.

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8. THE ECONOMIC COOPERATION AGREEMENT ALSO STATES THE INTENTION OF THE TWO COUNTRIES TO INCREASE BILATERAL TRADE, TOURISM, AND TECHNICAL ASSISTANCE, WITHOUT SETTING OUT SPECIFIC PLANS AT THIS STAGE.

9. A NORWEGIAN EMBASSY OFFICER COMMENTED THAT THE TURKISH GOVERNMENT HAD EXPRESSED GREAT APPRECIATION FOR NORWAY'S DEBT CONSOLIDATION AND OFFER OF NEW CREDITS, EVEN THOUGH

THE CONSOLIDATION WAS FOR ONLY \$4 MILLION.

10. PRIME MINISTER BULENT ECEVIT MET WITH THE NORWEGIAN FINANCE MINISTER TWICE, AFTER WHICH HE COMMENTED THAT HE BELIEVES NORWAY'S FINANCIAL SUPPORT AND FRIENDLINESS AT THIS CRITICAL TIME WILL SET AN EXAMPLE FOR OTHER COUNTRIES TO FOLLOW.

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11. COMMENT. NORWAY IS THE FIRST COUNTRY TO CONSOLIDATE TURKEY'S DEBTS UNDER THE TERMS OF THE WORKING PARTY SET UP BY THE OECD CONSORTIUM FOR TURKEY. HOWEVER, THE TURKISH PRESS REPORTS THAT, DURING A SURPRISE VISIT TO ANKARA ON JUNE 27, ITALIAN FOREIGN MINISTER ARNOLDO FORLANI PROMISED TO DO THE SAME, AS WELL AS TO TAKE THE OTHER STEPS WHICH NORWAY HAS JUST TAKEN. ITALY REPORTEDLY WILL START BILATERAL DISCUSSIONS WITH TURKEY ON THESE SUBJECTS IN SEPTEMBER.

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